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CENTRAL

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State Dept. review completed

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CENTRAL INTELLIGENCE BULLETIN

29 February 1960

DAILY BRIEF

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I. THE COMMUNIST BLOC

Communist China - India: Chou En-lai's letter informing Nehru that he will go to New Delhi in April opens the way for the Chinese leader to persuade Nehru that Peiping is prepared to reach agreement on the principles and procedures for settling the border dispute. Chou will probably try to gauge the extent of Nehru's commitment to the Ladakh claim. He may hint at Peiping's willingness tacitly to recognize the McMahon line in the east if New Delhi eventually accepts the status quo in Ladakh. Nehru will welcome Chou's agreement to meet in New Delhi, rather than Rangoon as previously suggested, as giving his government a psychological advantage. Neither leader expects the initial talks to produce any substantive agreements.

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USSR-Indonesia: Khrushchev, in order to revitalize the Soviet Union's lagging economic aid program in Indonesia, has extended a \$250,000,000 credit to Djakarta. The new credit is to be used to finance industrial projects and agricultural developments, probably under Indonesia's forthcoming five-year plan, and is apparently separate from the \$126,300,000 in Soviet credits previously granted. Khrushchev and Sukarno also signed an ambitious cultural and educational exchange program, and the Indonesian President accepted an invitation to visit the USSR at a later date.

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25X1 *OK* Morocco: The long-rumored replacement of Premier Ibrahim by former Premier Si Bekkai, a political independent, may occur within the next few days. A Si Bekkai government would probably include representatives of most of Morocco's political factions. It would not be likely to undertake any important changes and would probably remain in office only until the local elections planned for May. These elections, the first ever to be held in Morocco, are expected to lead to the formation of a new government on the basis of the relative strengths shown by the contending parties. [redacted] 25X1

25X1 *NO* Laos: [Recent reports indicate that Communist influence and activity in Laos is more widespread than the government has admitted. The US Embassy agrees with the Cambodian ambassador's comments that real calm exists only in towns, that it is considerably less in adjacent villages, and that it is virtually nonexistent in most of the rest of the country. This view seems borne out by a report of a trip by a USIS-led team which found villagers under constant threat of reprisals and subject to intense Communist propaganda in areas where the team had been assured by Vientiane that there was no probability of danger from Pathet Lao forces.] [redacted] 25X1

III. THE WEST

OK Panama: [Nationalist groups have apparently abandoned or postponed their plans for a mass march into the Canal Zone on 1 March, which is Panama's National Constitution Day and the final day of the pre-Lenten Carnival celebrations. Anti-US feeling is still high, however, and demonstrations by small extremist groups remain possible, either on 1 March or later. The canal issue is a favorite topic in the campaigning for the national elections to be held in May, and any demonstrations could easily take a violent turn.] [redacted] 25X1

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Premier Chou En-lai Agrees to Visit New Delhi in April

Chinese Communist Premier Chou En-lai's letter of 26 February informing Nehru that he will go to New Delhi in April opens the way for the Chinese leader to persuade Nehru that Peiping is prepared to reach agreement on the principles and procedures for settling the border dispute. Neither leader, however, apparently expects the initial talks to do more than create a more favorable atmosphere for later substantive negotiations.

Chou will probably try to gauge the extent of Nehru's commitment to India's border claims, and he may hint that Peiping would be willing tacitly to recognize the McMahon line in the east if New Delhi eventually accepts the status quo in Ladakh. The Chinese have consistently claimed that their troops have not crossed the McMahon line, and they accepted the eastern end of the line as the "traditional" border in their recent agreement with Rangoon.

Chou apparently hopes that his willingness to go to New Delhi will be interpreted as a concession which will help ease tensions between the two countries. He had previously proposed Rangoon as a meeting place. Nehru will welcome Chou's agreement to meet in the Indian capital as giving New Delhi a psychological advantage. A meeting there also will help Nehru mollify those in India who have opposed talks with Chou.

Chou is likely to be received by the Indian public and press with thinly concealed rancor. Conservative and Socialist opposition groups probably will now begin efforts to undermine Chou's mission and try to prepare the public for anti-Chinese demonstrations during the visit. Nehru's government, however, is probably capable of keeping such activities within bounds.

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New Soviet Economic Aid to Indonesia

In an attempt to revitalize the Soviet Union's lagging economic aid program in Indonesia, Khrushchev climaxed his ten-day visit by concluding a \$250,000,000 economic and technical cooperation agreement with Djakarta. Khrushchev presumably hopes that the new agreement will help to arrest what he feels to be Indonesia's drift toward the United States and will soften any antibloc sentiments in Indonesia occasioned by Djakarta's dispute with Peiping.

The new Soviet line of credit apparently is separate from the \$126,300,000 in credits Moscow has previously extended, including \$118,000,000 in economic assistance since 1958 and an earlier credit for 4,000 jeeps. The new line of credit is to be used for extensive industrial projects and agricultural development, presumably under Djakarta's five-year plan tentatively scheduled to begin in 1961. It also envisages Soviet technical and material assistance for constructing ferrous and nonferrous metallurgical enterprises, chemical plants, and textile mills. In addition, the USSR probably will build a nuclear reactor for research purposes.

The Soviet Union will provide technicians and skilled workers to carry out the projects called for under the agreement and will train Indonesian personnel both in the USSR and in Indonesia.

Indonesian Army leaders reportedly opposed the acceptance of extensive credit from the Soviet Union and tried to persuade Sukarno not to request it. Now that he has done so, however, it seems unlikely that there will be any significant army reaction.

Sukarno is anxious to receive and to publicize new foreign aid offers in order to give the appearance that he is taking swift and decisive action with regard to the country's economic problems.

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Indonesia hoped to realize 20 percent of its \$2 billion five-year development program through Soviet aid, another 10 percent from other bloc countries, and the remainder from the West, Japanese reparations, and domestic resources.

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Laotian Security Situation

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[Recent reports indicate that Communist influence and activity in Laos are more widespread than the government has admitted. The Communist Pathet Lao insurgents seem particularly active in propagandizing and organizing the rural populace in Luang Prabang Province, a large percentage of whose population consists of tribal minority groups who have long resented Vientiane's neglect of their simple needs. Other areas heavily infested by the Communists include portions of Vientiane and Xieng Khouang provinces and the southernmost province of Attapeu.]

[The US Embassy agrees with the Cambodian ambassador's comment that real calm exists only in towns, that it is considerably less in adjacent villages, and that it is virtually nonexistent in most of the rest of the country. The Cambodian envoy compared unfavorably the effectiveness of government propagandists with that of the Communists, who he claims are active in one degree or another in almost all of Laos' villages. He implied that the government was losing the loyalty of the minority groups virtually by default, whereas the insurgents enlist their sympathies by small gifts of salt and other basic necessities.]

[These impressions would seem to be borne out by the recent experience of a USIS-led team traveling in tribal villages in Xieng Khouang Province and adjacent parts of Vientiane Province. Despite the prior assurances of the government that there was no probability of danger from Pathet Lao forces in the area, the team found the villagers under constant threat of reprisal and subject to intense Communist propaganda. The team itself encountered uniformed Pathet Lao elements in one village and, while unmolested by the Communists, decided to abandon its tour in anticipation of danger ahead.]

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III. THE WEST

Threat of Anti-US Demonstrations in Panama on 1 March
Reduced

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[Nationalist groups apparently have reversed their earlier decision to lead a mass sovereignty demonstration into the Canal Zone on 1 March, Panama's National Constitution Day and final day of the pre-Lenten Carnival celebrations.]

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[Redacted] Nationalist student and civic leaders who were responsible for the anti-US outbursts last November favor postponement of the flag-planting demonstration until after 1 March and possibly until the results of Panama's current efforts to publicize its case against the US throughout the world can be evaluated. Panamanian business interests, which might sustain considerable financial losses if demonstrations erupted on the peak day of the Carnival festivities, also have announced opposition to the plans for 1 March.]

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[Redacted] attempts may be made by small groups to divert Carnival parade marchers or spectators into the Canal Zone in order to plant flags. Such demonstrations could easily result in violence, as anti-US feeling is high among all segments of the Panamanian population, and the canal issue is a favorite topic in the campaigning for the national elections in May. There are continuing indications that the Panamanian National Guard would merely protect Panamanian property in the event of trouble.] [Redacted]

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The Vice President
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